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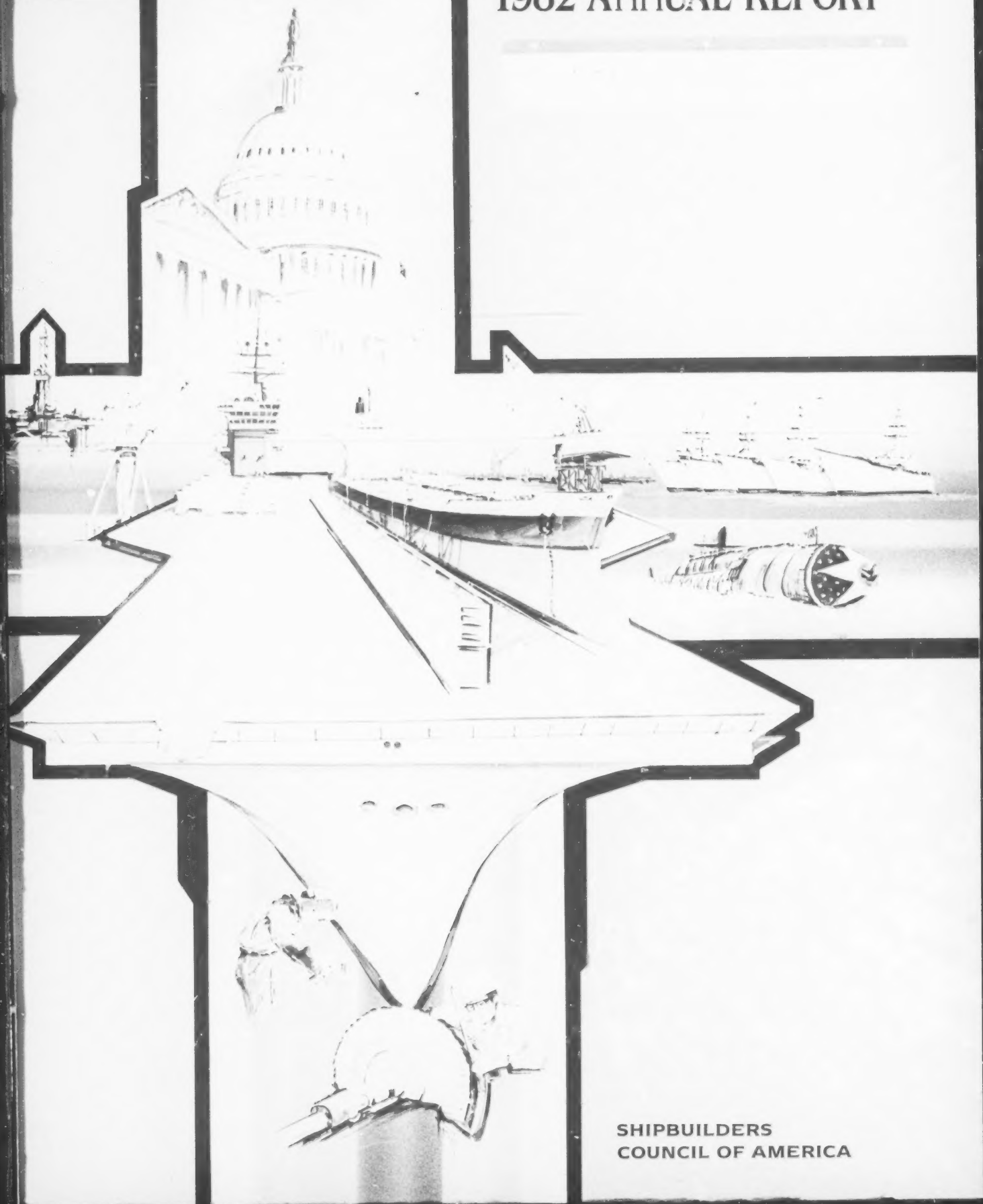
1982 ANNUAL REPORT



SHIPBUILDERS
COUNCIL OF AMERICA

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1110 VERMONT AVENUE N.W.
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Message from the President . . .

For the U.S. shipbuilding and shiprepairing industry, 1982 was a year of many disappointments mixed with some blessings.

Blessings in the sense that the proposed five-year Navy shipbuilding and conversion plan will provide a measure of stability for a part of the industry. Disappointments in the sense that a meaningful national maritime policy to regenerate commercial shipbuilding in the United States has not been forthcoming: instead, advocacy of foreign building/rebuilding for subsidized merchant ships has emerged as a key Administration position.

Meanwhile, shipping conditions worldwide showed little improvement, many vessels were in layup, merchant ship construction markets were circumscribed by economic stagnation, ship repair activities decreased sharply, and opportunities for the construction of offshore drilling rigs, service vessels and inland waterway barges declined severely. With it all, dollar exchange rates and below-cost "political pricing" abroad have grossly distorted the economics of world shipbuilding.

Assuming continued public endorsement, Congressional concurrence and budget availability, expansion of the U.S. Navy fleet does indeed compose a potential for builders of combatant and auxiliary vessels, but, on the other hand, most commercial shipbuilders face a period of lean years. For them, it is presently difficult to forecast new orders for as many as five deep draft ships annually in the next five years. The U.S. shipbuilding mobilization base accordingly cannot be maintained through naval construction only, and this reality has yet to be fully appreciated, in or out of government.

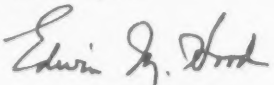
Despite the unpromising outlook for commercial work, some U.S. shipbuilders and shiprepairers have continued to modernize their facilities. They are truly investing in the future. In 1982, approximately $280 million were invested in new facilities and equipment, drydocks, computer aided design and production systems and robotics. These investments are in addition to $2.3 billion expended for capital improvements during the last ten years.

The generally downward trend in shipyard employment also continued to prevail, and within the past 12 months, lay-offs in ship repair yards have been acute. No substantial industry upturn before 1987 seems likely. Over the span of the last seven years, some 30,000 workers in the recognized shipbuilding industrial base which has long been considered important for national security have been diverted from the essential task of building ships.

The significance of this resource depletion is perhaps best illustrated by the fact that lay-off costs of severance and unemployment benefits plus the eventual rehire and retraining costs of one qualified shipyard journeyman amounts to an estimated $25,000. This cumulative burden of stop-and-go shipyard operations remains unappreciated by U.S. policymakers, but it affirms the rationale of extraordinary subsidies in other countries.

In this country, more immediate and effective action must be undertaken to preserve the Nation's shipyard capabilities in the national interest. The shipbuilding industrial base is the "tap root" of "maritime superiority" which the Reagan Administration espouses, and sea power, in its fullest meaning, is essential to the national security and economic well-being of the United States.

The enduring pattern of official neglect, either through policy decisions or indecisions, must be reversed, and a solid national commitment to an industrial strategy which will sustain and preserve an essential shipbuilding and repair mobilization base can no longer be postponed. The alternative is national peril.



Edwin M. Hood
President

March 16, 1983

OVERVIEW

The law of the land — the National Industrial Reserve Act of 1948, the Defense Production Act of 1950 and the Defense Industrial Reserve Act of 1973 as well as Merchant Marine Acts of 1920, 1936 and 1970 and the Merchant Ship Sales Act of 1946 — prescribes a national security requirement for shipbuilding and ship-repairing within sovereign jurisdiction.

A long series of Presidential proclamations, Congressional findings and analytical studies have reasserted this requirement. It has been consistently held that, in times of national crisis, the United States cannot, should not, and must not, rely on uncertain shipyard capabilities in other countries.

In more recent years, however, these statutory injunctions have been either purposely ignored or expediently discounted. An imprecise and uncoordinated national strategy to deal with critical defense, industrial and social problems compounded by serious economic and budgetary disorder plus partisan polemics have led to deliberate breaches of the law on the part of policy-makers.

The entire defense industrial base has been adversely affected. Contrary to statutory intent, the shipbuilding industrial base and its supporting infrastructure have eroded and continue to erode. The evidences are plain. Since 1977, U.S. shipyard activity and employment levels have been generally downward and probably will not bottom out for another three to four years.

There is a concomitant decline in the support industrial base of vendors who provide shipbuilders with systems and components: their products represent roughly half the cost of a merchant ship and nearly 75 percent of a complex warship. Because of declining markets for new ships, many of these manufacturers are reluctant to produce items specifically designed for a maritime environment. Likewise, these allied industries must now rely on single source

SHIPBUILDING AND REPAIR: TRENDS AND PROJECTIONS 1976 - 1983

(in millions of dollars except as noted)

ITEM	1976	1977	1978	1979	1980	1981[1]	1982[1]	1983[1]
Industry[2]								
Value of work done	5,896	6,495	6,943	7,739	9,269	10,021	9,832	9,734
Total Employment (thousands)	166.3	176.4	174.1	171.0	177.3	184.5	170.0	159.8
Production Workers (thousands)	132.1	139.9	138.4	136.7	141.8	145.8	134.3	126.2
Value added	3,287	3,825	4,107	4,587	5,338	5,912	5,801	5,743
Product[3]								
Value of work done total	5,883	6,270	6,688	7,466	8,889	9,635	9,439	9,345
Non-propelled barges, ships etc.	645	491	724	1,045	1,645	1,881	1,845	1,843
Self-propelled new military ships	1,957	2,212	2,282	2,512	2,903	3,319	3,444	3,764
Self-propelled new non-military ships	1,825	1,917	1,861	1,890	1,810	1,542	1,240	873
Repair of military ships	644	718	912	969	1,134	1,296	1,321	1,269
Repair of non-military ships	715	789	809	998	1,335	1,526	1,498	1,496
Shipbuilding and repair, n.s.k.	47	143	—	54	62	75	90	100

[1] Estimated by Maritime Administration and Shipbuilders Council of America

[2] Includes value of all products and services sold by the shipbuilding and repair industry

[3] Includes value of work done on ships only

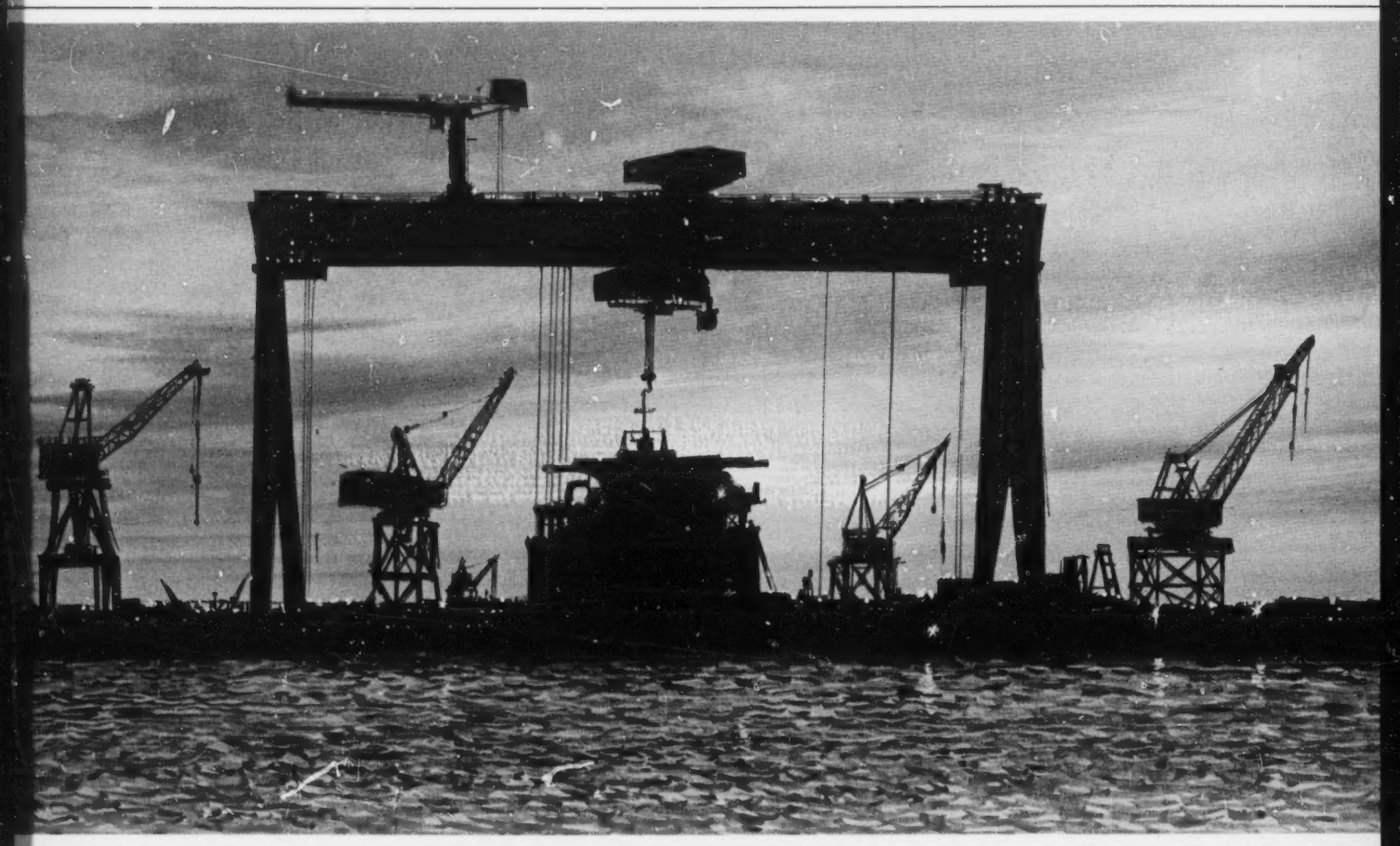
n.s.k. — not specified by kind

Source: Bureau of Census, Bureau of Labor Statistics, Maritime Administration, Shipbuilders Council of America

second-tier suppliers of certain materials and parts. Unless a demand for ship components can be ensured, the support base for shipbuilding will continue to contract. Many producers of essential equipment will disappear, and the ability of shipbuilders to meet any future mobilization needs will be severely limited.

Today's active shipbuilding industrial base consists of 27 shipyards. These are yards having the facilities and workforce to construct or convert oceangoing ships and are currently seeking contracts. Government and industry agree that these yards constitute the minimum, or near-minimum, of facilities and skilled resource base from which an increased capability can be generated on relatively short notice to provide expanded naval and sealift forces as may be dictated by changing world events.

To preserve an active shipbuilding base capable of subsequent expansion in times of need, however, there must be a continuing throughput of ship construction. Throughput is affected by a wide spectrum of factors, including the efficacy of government policy, the strength of the marketplace and the availability of capital. Without sufficient throughput, shipyard facilities and workforce cannot be preserved for national security or for any other purposes. Nor can they be managed in an efficient and productive manner. Without appropriate throughput, the potentials for improved productivity, increased output and lower costs are non-existent.



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NAVAL SHIPBUILDING

Attainment of an active balanced U.S. Navy fleet of 600 ships (up from 485 at present) by 1989 is a central objective of the Reagan Administration. The purpose is to assure naval superiority — or maritime superiority as defined by the Secretary of the Navy — well into the 21st century.

To achieve this goal, a five-year naval shipbuilding plan anticipating 133 newbuildings and 16 conversions/reactivations/acquisitions was proposed in early 1982. While 18 newbuildings and seven conversions/reactivations were requested for Fiscal Year 1983 (which commenced on October 1, 1982), the Congress approved 14 and three respectively.

Another five-year plan, submitted to the Congress in early 1983, contemplates 124 newbuildings and 21 conversions/acquisitions/reactivations. Although fiscal pressures may force other modifications, Navy ship construction, conversion, repair and overhaul will obviously sustain a significant segment of the U.S. shipyard industry for the balance of the 1980 decade.

Contracts for 30 Navy ships were placed with U.S. shipbuilders during 1982, and, at year-end, a total of 105 vessels were under construction at 12 of the 27 private yards in the shipbuilding mobilization base. Approximately 72,000 workers are employed on this backlog which now constitutes more than 75 percent of the total U.S. orderbook. Another 10,000 workers in the base are engaged in Navy ship repair and overhaul work.

Naval ship repair and overhaul work has always been an eagerly sought market for the industry. About 60 percent of the private shipyard repair workforce perform their work on Navy ships. Here again, there are dynamic forces altering the style in which that work is performed. The naval fleet is becoming more sophisticated as new ships are being delivered and older vessels are being retired.

The Government-owned naval shipyards, with an employment level almost double that of the combined private workforce engaged in both naval and commercial ship repair, are being hard-pressed to handle the maintenance of combatant ships. As a result, more and more of these complex ships are being assigned to the private sector.

Consequently, more and more constraints are being placed upon the facilities required to handle this increasing number of complex ships. The "good old days" of "invitations for bids" and low bidders clearly getting the jobs are fast disappearing.

Sophisticated ships are begetting sophisticated procurement procedures and contract award processes. For example, multi-ship procurements meant to provide incentives for shipyard improvements and capital investments are increasing.

1982 also marked the timely award of construction/conversion contracts for support vessels for the Navy's Military Sealift Command to shipyards urgently in need of work. These so-called T-Ship projects included Maritime Prepositioning Ships (T-AKX), Fleet Oilers (T-AO), Clean Product Tankers (T-5), and Fast Logistics Ships (T-AKRX). Planning for the conversion of two existing vessels for Hospital Ships (T-AH) has likewise been initiated.

Shipbuilders' performance on U.S. Navy contracts has steadily improved. Through modular ship construction, pre-outfitting techniques and incentives for cost control, a general pattern of on-time or earlier than planned deliveries at or less than budgeted costs has emerged. In addition, private shipyards have improved their performance on Navy ship overhauls by an average of 45 days during the past two years.

These developments reflect a significant improvement in Navy-industry business relationships, acquisition policies and procedures, contract terms and conditions and cost estimates as well as shipbuilders' investments in facility modernization, computer aided design systems and robotics which have contributed to increased productivity.

Industry rapport with the Navy in addressing impediments to the effective realization of shipbuilding and repair plans has especially progressed. Through the medium of "forums," discussions on problems relating to specifications, standards, drydock certifications, berthing and messing requirements, home port policies, quality assurance, work package growth and source selection, all of mutual concern, have been appropriately aired and, in most instances, satisfactorily resolved.

COMPARISON

Proposed FY'84 Federal Budget for Shipbuilding and Repair with Prior Years Appropriations

(Millions)

	FY'82 Actual	FY'83 Appropriated	FY'84 Request
Navy Shipbuilding & Conversion	$ 8,603.9	$16,248.1	$12,698.8
Navy Ship Repair/Alteration (Est.)	3,979.1	4,316.5	4,452.0
Merchant Shipbuilding (CDS)	-0-	-0-	-0-
U.S. Coast Guard (Est.)	299.3	170.7	94.0
Corps of Engineers	23.1	28.3	30.6
Total	**$12,905.4**	**$20,763.6**	**$17,275.4**

MERCHANT SHIPBUILDING

In sharp contrast to the encouraging U.S. Navy shipbuilding situation, markets for merchant ship construction in the United States have virtually evaporated. With world conditions and domestic policies at interplay, the outlook is, at best, unpromising and unclear for another three or four years.

Excluding the T-ships of commercial characteristics for the Navy's Military Sealift Command (see page 6), contracts for only three merchant-type vessels of 1,000 gross tons and over were awarded U.S. shipbuilders during 1982. None of these were cargo ships. Orders for offshore drilling rigs totaled two. At year-end, the U.S. orderbook comprised 21 merchant vessels and 20 rigs all of which are now scheduled for delivery by the end of 1984.

Concurrently, the decline in commercial ship repair activity has been startling. Approximately 11 percent of the world trading fleet has been idled by reason of the international and domestic shipping recession, and, under these circumstances, decisions by shipowners to defer maintenance or replacement of exisiting vessels are not incomprehensible. Market conditions have thus become extremely competitive: as ship construction activity has diminished overall, some U.S. shipbuilding yards, in an effort to sustain economic viability, are shifting emphasis and workforce toward ship repair.

In this atmosphere, the actions of the Reagan Administration in 1982 have not been salutary. First, there has been no recognition of the below-cost pricing aberrations induced by foreign governments — "political pricing" — which preclude any hope of competitiveness in world markets for U.S. shipbuilders. Secondly, the outdated ideology that free market concepts govern the world shipbuilding scene illogically pervades U.S. policy-making. And thirdly, the Reagan Administration, by the admission of its own officials, has consciously adopted a stance to support U.S. shipowners at the expense of those U.S. shipbuilders who have historically been engaged in the construction of commercial vessels.

President Reagan's campaign vows of 1980 have been betrayed, probably without his direct knowledge. Internecine bickering within the Federal bureaucracy has prevented the development and postulation of a comprehensive shipping/shipbuilding policy, as promised by the President. The Department of the Navy and the Department of Transportation/Maritime Administration have differing views in regard to the maintenance of an essential shipbuilding mobilization base which the President declared must be ensured by way of an adequate throughput of both commercial and naval ship construction work.

The Navy says the base cannot be preserved by naval shipbuilding and repair alone. Conversely, DOT/MarAd say the volume of commercial shipbuilding and repair is irrelevant in terms of retaining a nucleus of shipyards, skilled workforce and support facilities capable of quick expansion in times of national emergency.

During 1982, this ambivalence has confused not only the U.S. shipyard industry but also the Congress and the general public. In May and August, the Secretary of Transportation announced "initial" and "additional" elements of the "Administration's ongoing efforts" to formulate a national maritime policy, none of which will encourage the construction or repair of a single ship in U.S. shipyards.

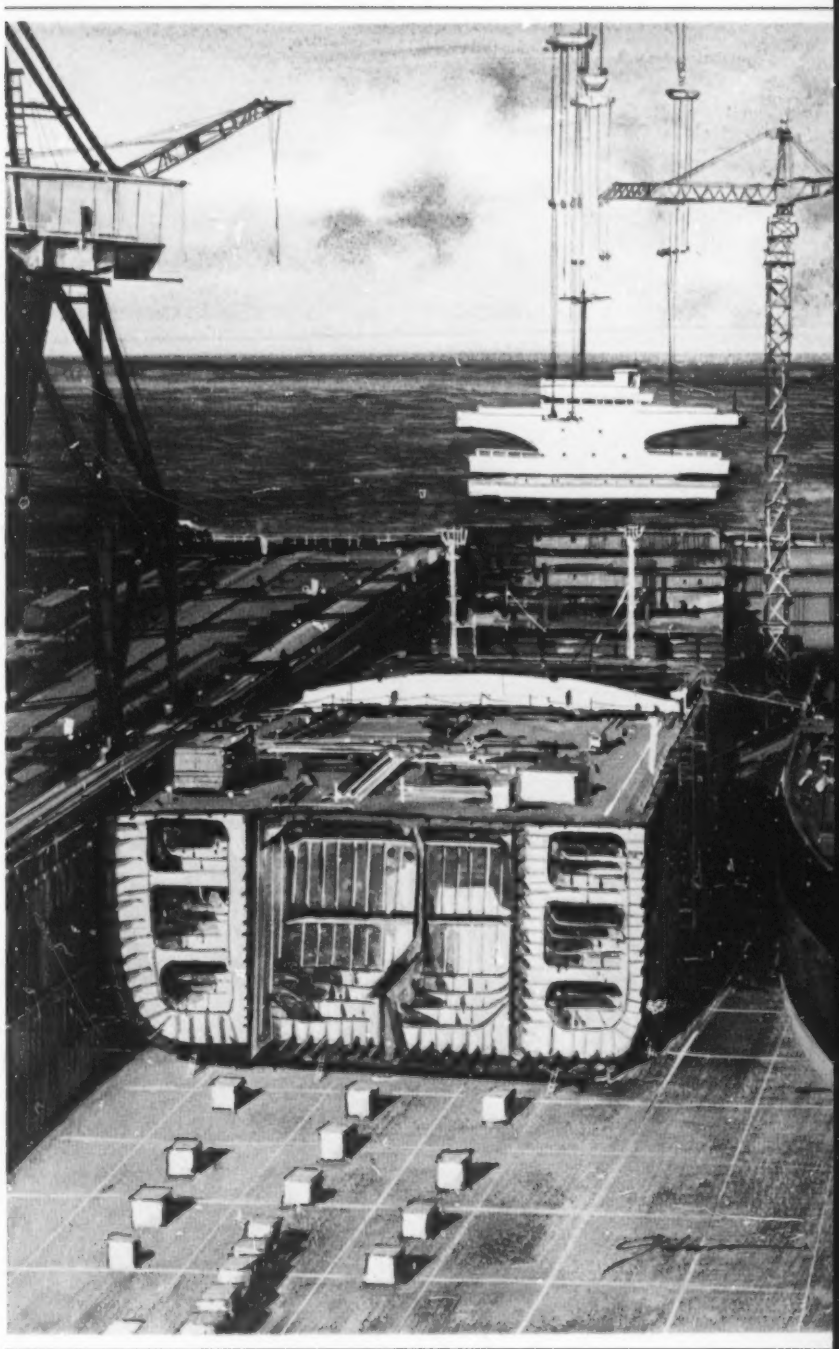
Mainly, the so-called policy package would (1) facilitate the foreign construction, reconstruction or acquisition of U.S.-flag merchant ships whose operations are to be subsidized by the public treasury, (2) repeal the long-standing 50 percent ad valorem customs duty for other than emergency repairs to U.S.-flag vessels in foreign ship-

yards, (3) limit Title XI Federal ship mortgage guarantees on an annual basis, and (4) permit the use of tax-deferred Capital Construction Funds (CCF) for foreign construction, reconstruction or acquisition. Since inception, CCF withdrawals and the 50 percent ad valorem duty have been intended for expenditure in U.S. shipyards to reinforce and sustain an essential mobilization base. The Administration would also cancel the three-year waiting period for the transport of Government-impelled cargoes by foreign-built vessels documented under the U.S.-flag.

These negative proposals have yet to be enacted into permanent law, but a temporary waiver, which expired on September 30, 1982, prompted the approval by the Maritime Administration of applications for the foreign construction of 36 new subsidized vessels and the foreign reconstruction of 13 ships. Applications for another 16 foreign buildings are anticipated.

The combined face value of these projects would be in excess of $2.0 billion. If carried through, a minimum of 30,000 jobs for U.S. skilled shipyard workers will be lost. This number equates to more than 25 percent of the present employment in the active shipbuilding industrial base, and does not include some 90,000 workers or more in supporting industries who will also be affected. In addition, U.S. steel producers will lose orders for more than 500,000 tons of steel.

This export of contracts for U.S. shipbuilders and jobs for U.S. shipyard workers takes place at a time when unemployment has reached a 42-year high, and ironically, at a time when the Government is searching for ways and means to put people back to work. A major source of sustenance with which to preserve a shipyard mobilization base has thus been purposely torpedoed, and the repercussions will be far-reaching.



INDUSTRY DEVELOPMENTS

1982 was hardly a banner year for shipbuilding in the Free World. The United States was perhaps a singular exception solely by reason of the opening phase of a planned expanded naval shipbuilding effort which could impact on an important segment of the American shipbuilding industry.

Universally, commercial ship construction reflected economic stagnation. A decline in newbuilding contracts was felt even in Japan which has long dominated the world shipbuilding scene.

In the view of the Association of West European Shipbuilders and the Shipbuilders Association of Japan, any significant recovery in merchant shipbuilding before 1987 is highly improbable. The world shipping recession, the slackening in the incremental increase of world trade, an over-tonnage of tankers and bulk carriers plus the continuing layup of many vessels have combined to diminish market opportunities for shipbuilders and shiprepairers everywhere. The recent oil glut has also been a contributing factor.

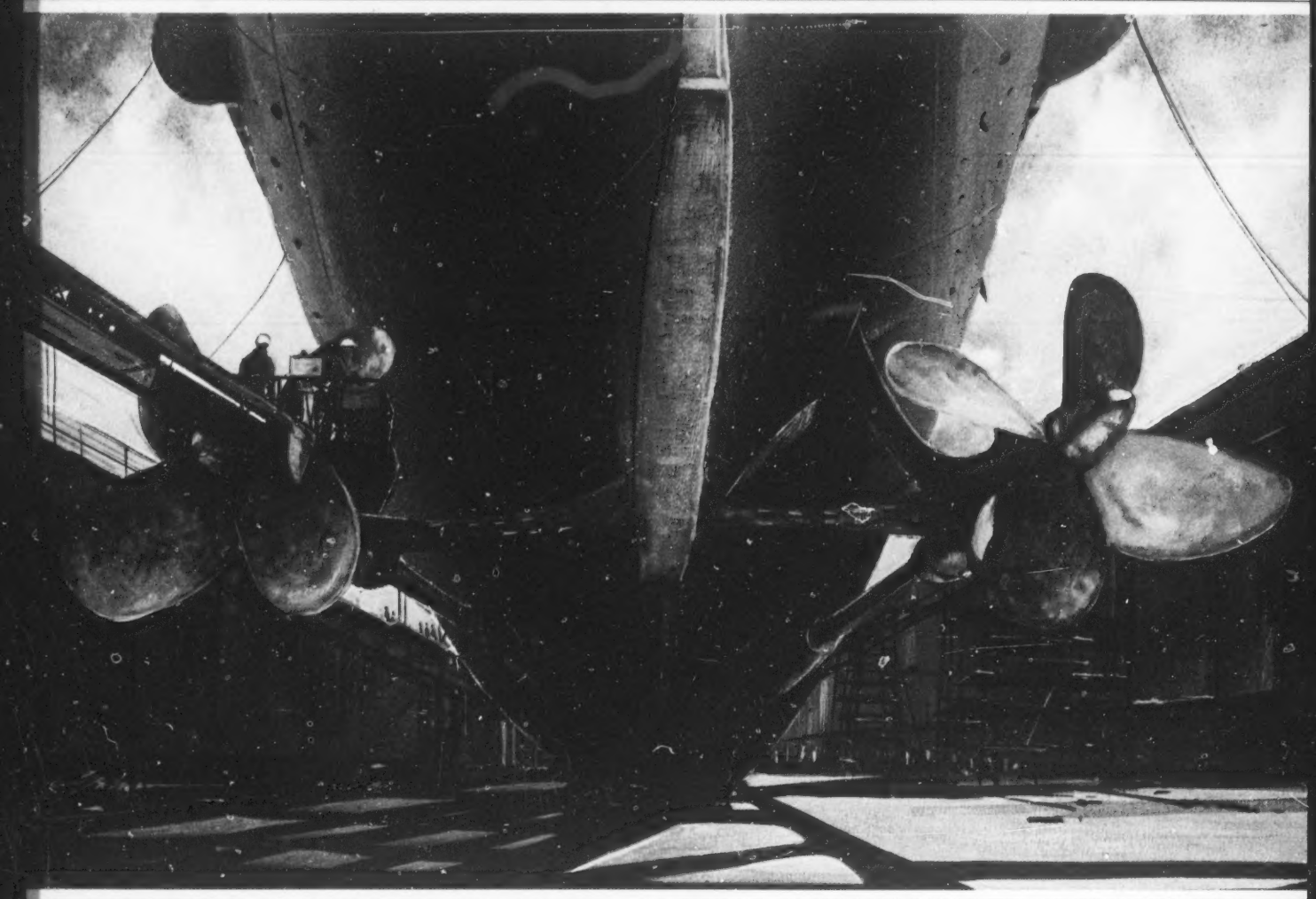
Capacity in traditional shipbuilding countries, including the United States, has been idled. This situation has been aggravated by the expansion of capabilities in developing countries. In particular, South Korea, with cheap labor and new facilities, has challenged the dominant position of Japan, and has been accepting "loss leader" contracts with governmental assent and assistance.

Through pricing "gimmicks" and financing "schemes," an increasing number of shipbuilders have been chasing, and for the next three or four years, will be chasing, a decreasing number of opportunities to build merchant ships, offshore drilling rigs, barges and other floating equipment. The resulting practice of "political pricing" for the purposes of obtaining needed contracts to keep shipyards in operation and skilled workers employed as well as to generate production volume and to minimize the social costs of unemployment has been quantified as ranging between ten and 60 percent of vessel prices.

Thereby, many shipbuilders abroad can offer to build ships well below cost — even below the cost of materials for a U.S. built ship — with their governments indemnifying them against loss through a subtle variety of direct and indirect subsidies. Extraordinary forms of assistance — special credit terms, low interest rates, loan repayment moratoriums, favorable tax and depreciation treatment, aggressive marketing assistance (mercantile and political) under government auspices plus other devices — are designed and intended to capture a beneficial share of the available market, however limited.

Leaving aside naval shipbuilding, the United States Government has adopted a diametrically opposite position. Construction subsidies have been eliminated. President Reagan's expressed concerns in 1980 that a continuing decline in U.S. shipbuilding capabilities and workforce would be "a dangerous threat to our national security" are now regarded within the shipyard community as purely campaign oratory.

Similarly, his vow that an active shipbuilding industrial mobilization base, capable of quick expansion in times of emergency,



must be ensured through a sufficient volume of both naval and commercial ship construction remains unfulfilled. A Navy Department report warns that an essential shipbuilding base cannot be maintained without commercial contracts. Yet, the Department of Transportation/Maritime Administration sees no need for merchant shipbuilding in U.S. shipyards and stoutly endorses the foreign construction and repair of U.S.-flag subsidized vessels.

While Free World shipbuilders engage in "cutthroat" competition and the United States adheres to an open marketplace philosophy in terms of commercial ship construction, the Soviet Union expands its presence on the world's oceans with an increasing output of naval and merchant ships from its shipyards and those in Iron Curtain countries. And, the People's Republic of China is rapidly becoming a shipbuilding power of substance.

BENCHMARKS

Merchant Ship Orders: During 1982, U.S. private shipyards received contracts for only three merchant ships aggregating 12,200 gross tons (gt). New orders for 1981 and 1980 were nine vessels (154,000 gt) and seven vessels (116,200 gt) respectively. Contracts awarded in 1982 were for two incinerator ships and one oceanographic research vessel.

Merchant Ship Deliveries: Merchant ship deliveries for 1982 totaled 17 vessels of 326,080 gt. In 1981, 22 ships of 346,960 gt were completed compared with 23 ships of 788,388 gt in 1980. 1982 deliveries consisted of five tug/barges, two self-propelled hopper dredges, three tankers, two tuna purseiners, two containerships, two dry bulk carriers, and one ferry.

Merchant Ship Orderbook: As 1983 began, the backlog of merchant ships under construction or on order in U.S. commercial shipyards comprised 21 ships totaling 416,420 gt. One year earlier, the comparable figures were 35 ships and 730,300 gt. Composition of the current backlog: seven tankers, four tug/barges, three container-roll on/roll off vessels, two incinerator ships, one containership, one collier, one self-propelled hopper dredge, one oceanographic research vessel and one ferry.

Oil Drilling Rigs: U.S. shipyards, during 1982, received contracts to build only two new mobile oil drilling rigs. Both of these rigs were jackups. The comparable number for 1981 was 26 rigs. At the close of 1982, there were 20 rigs on order or under construction compared with 66 rigs at the end of 1981. A total of 38 rigs of all types were delivered in 1982. Deliveries for 1981 totaled 31. During 1982 orders for 12 rigs were cancelled.

Naval Ship Orders: In 1981, orders for 30 new naval ships were placed in U.S. private shipyards compared to 28 ships in 1981. They included five attack submarines (SSN), five guided missile frigates (FFG), four ocean surveillance ships (T-AGOS), three guided missile cruisers (CG), three salvage ships (ARS), two TRIDENT submarines (SSBN), two aircraft carriers (CVN), two prepositioning ships (T-AKX), one dock landing ship (LSD), one mine countermeasure ship (MCM), one repair dry dock (ARDM) and one fleet oiler (T-AO). At year end, still to be ordered were six ships in the FY'83 naval ship program: three AEGIS cruisers (CG-47 Class), one MCM, one LSD and one helicopter landing ship (LHD).

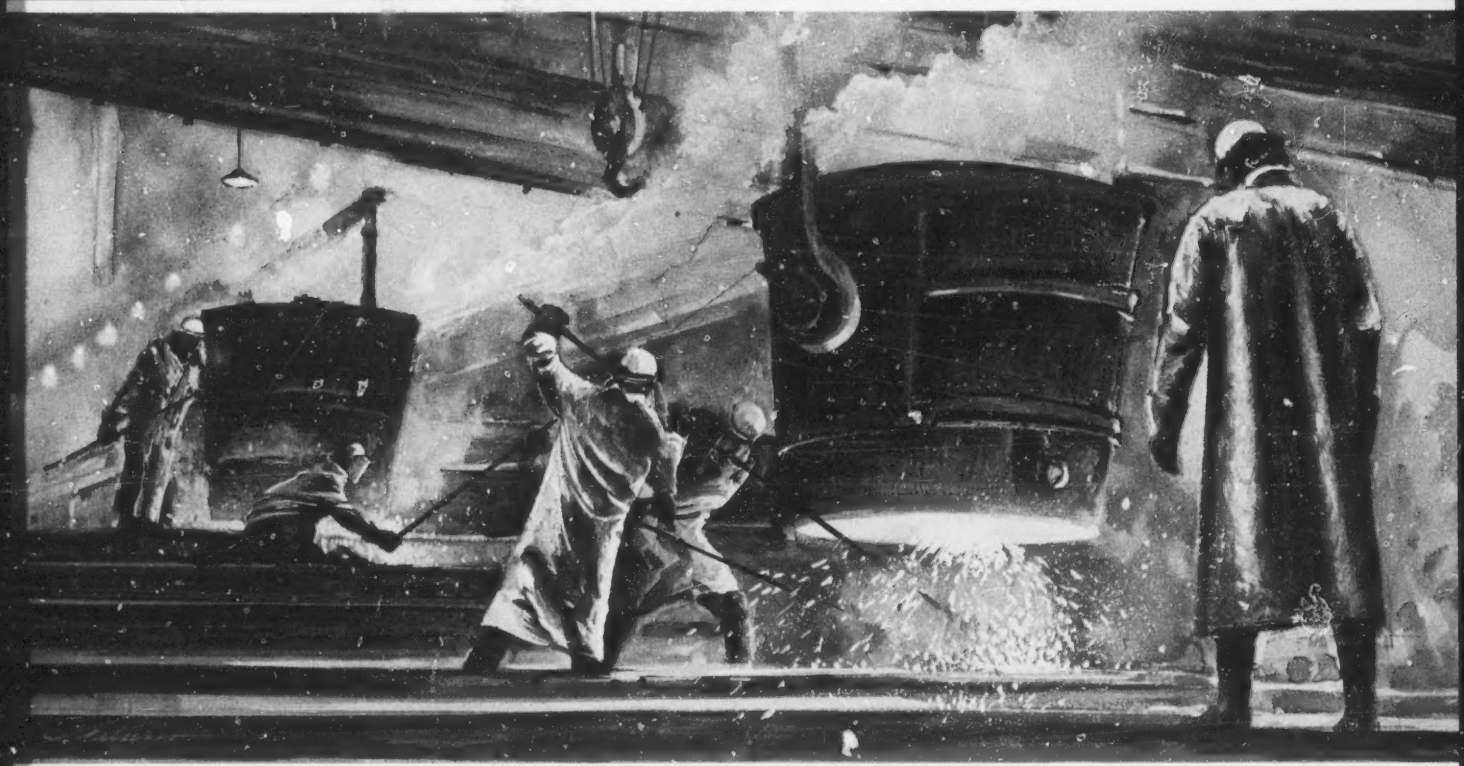
Naval Ship Deliveries: U.S. shipyard deliveries in 1982 included 18 naval vessels: eight guided missile frigates (FFG), four attack submarines (SSN), one guided missile destroyer (DDG), one guided missile cruiser (CG), one fleet oiler (AO), one destroyer tender (AD), one TRIDENT (SSBN) and one aircraft carrier (CVN).

Naval Ship Orderbook: At the close of 1982, U.S. private shipyards had 105 naval vessels of 728,246 light displacement tons (ldt) under construction or on order. Comparable figures at the end of 1981 were 93 vessels of 573,332 ldt. Current naval shipbuilding orderbook is set forth in detail on page 22.

Proposed FY'84 Navy Budget: The requested budget for naval ship construction and conversion in FY'84 totals $12,698.8 million compared with $8,603.9 and $16,248.1 million in FY'82 and FY'83 respectively. This budget request has declined by about $3.5 billion from last year, principally because of award of two aircraft carriers in late December 1982. Proposed FY'84 Navy Shipbuilding and Conversion (SCN) account envisions construction of 14 combatants and three auxiliary ships plus six conversions.

Proposed FY'84 Maritime Administration Budget: The FY'84 Maritime Administration budget request includes no funding for subsidized merchant ship construction. There was no funding for FY'83 either.

Employment Hours and Earnings: Latest tabulation of 1982 data made available by the U.S. Bureau of Labor Statistics (BLS) shows that the total employment in private shipyards was 164,300 in October. Average



for ten months was 170,400. Yearly averages for 1981 and 1980 were 184,900 and 178,000 respectively. BLS figures further indicated that during October, employment of production workers totaled 123,100. Comparable annual averages of production workers for 1981 and 1980 were 141,400 and 140,700 respectively.

Gross hourly earnings of shipyard production workers averaged $10.48 in October 1982 as compared to a yearly average of $9.40 in 1981 and $8.56 in 1980. Average weekly earnings in October 1982 amounted to $421.30 as compared to an annual average of $382.58 in 1981 and $349.25 in 1980. Private shipyards production workers worked an average of 40.2 hours per week in October 1982, as compared to an annual average of 40.7 hours in 1981 and 40.8 hours in 1980.

All employment, hours and earnings statistics for the private shipbuilding and shiprepairing industry were revised by BLS to a new 1981 benchmark. Data for 1980, 1981 and 1982 are the only years affected by the benchmark change.

Naval Shipyard Employment: In October 1982, employment in the eight government-owned and operated naval shipyards totaled 81,000. The average for the first ten months of 1982 was 79,900. Averages for 1981 and 1980 were 76,500 and 72,400 respectively.

U.S. Coast Guard: The Coast Guard's budget request for FY 1984 included $94 million for various ship programs. Among those programs were continuation of the construction of the 270 medium-endurance cutter ($14 million), the initiation of a modernization effort for the HAMILTON- class high endurance cutter ($23.9 million), the mid-life modernization of the 210 cutter ($24.0 million), the service life extension of 2 buoy tenders ($19.3 million), and the procurement of six 55-ft. buoy boats ($5.6 million).

U.S. Army Corps of Engineers: No new construction funds were requested for coming year. The only major barge procurement in FY'84 will be for a large shop barge ($4 million). Otherwise, funds requested cover construction costs of previously awarded dredges and barges.

ACTIVITIES

Throughout 1982, a principal activity of the Council has been to address the increasingly critical merchant shipbuilding problem. At the start of the year, the Executive Committee, with the approval of the Board of Directors, presented to the Department of Transportation/Maritime Administration a detailed series of recommendations to be considered in the formulation of an imaginative maritime policy. At year-end, for all practical purposes, no new policy has been forthcoming, and only one of the Council's suggestions had been accepted by the Reagan Administration.

The Maritime Administration did agree to join in sponsoring a one-day seminar to evaluate market opportunities for U.S. shipyard construction of industrial plant vessels (fish processing ships, waterborne alcohol plant vessels, ocean thermal energy conversion plantships, toxic chemical incinerator ships, resource recovery plant vessels, sludge disposal barges and other IPV applications).

In mid-October, more than 100 representatives of government, industry, banking, shipyards, allied industries and labor participated in a discussion seeking answers to these questions: Are there meaningful prospects for industrial plant vessels constructed in the United States? If so, what kind of an economic equation will result in their becoming a reality? There was agreement concerning technical and economic feasibility, and a follow-up campaign is now planned.

Other recommendations which have not gained Administration support included: (1) a modest form of cargo reservation for U.S.-flag, U.S.-built ships, (2) legislation to amend the Outer Continental Shelf Lands Act (and other statutes) to require U.S. construction of vessels, rigs, platforms, or other vehicles and structures, used in the exploration, development or production of oil, gas and/or mineral resources on the Outer Continental Shelf, (3) amendments to the tax code to encourage the placement of commercial ship construction contracts with U.S. shipbuilders, (4) increase in the statutory ceiling on Title XI Federal ship mortgage guarantees, (5) incentives to shipbuilders (similar to the DOD manufacturing technology program) for improvements in production efficiency: capital investments, systems/methods innovations, computer aided design/manufacture and robotics installations that lower ship costs, and (6) antitrust immunity for transactions involving shipbuilders, vendors and financial institutions.

Strikingly, while the Department of Transportation/Maritime Administration posture has been one of arms' length, the Department of the Navy, at all levels, has been more solicitous. Especially, the Assistant Secretary of the Navy (Shipbuilding and Logistics) has developed a much better atmosphere for naval shipbuilding, and his diligence will greatly enhance attainment of a 600-ship Navy as scheduled.

The Administration's plus on naval shipbuilding and its minus on merchant shipbuilding in conjunction with the many relevant issues which arose in the Congress have intensified all activities of the Council. Committee meetings have been more frequent. The Board of Directors has been required to broaden its range of attention, and the importance of the organization in reaching a consensus on sensitive industry problems is evidenced by the fact that total membership increased during 1982.

Helpful to the Council's decision-making were remarks by the following dignitaries at quarterly meetings of the Board of Directors:

The Honorable James F. Goodrich
Under Secretary of the Navy

The Honorable Robert B. Collyer
Deputy Under Secretary of Labor for the Employment Standards Administration

The Honorable Thorne G. Auchter
Assistant Secretary of Labor for the Occupational Safety and Health Administration

The Honorable George A. Sawyer
Assistant Secretary of the Navy (Shipbuilding & Logistics)

LEGISLATIVE DEVELOPMENTS

On the legislative front in 1982, the Congress was mostly preoccupied with issues other than those which directly relate to U.S. shipbuilding and shiprepairing. The lone exception was the Fiscal 1983 Budget for Navy Shipbuilding and Conversion, but, even in this instance, funding for eight fewer ships and $2.5 billion less than the Reagan Administration requested was approved.

The constant erosion of the shipbuilding industrial mobilization base received little or no heed. There seemed to be a perception of "so what": the expected naval shipbuilding program will offset the absence of a commercial shipbuilding program, it was generally, though mistakenly, believed. Within the Congress and the Executive Agencies, this unfortunate attitude foreclosed the development of a comprehensive shipbuilding industrial strategy to serve U.S. national interests, and the derivatives of this vacillation will haunt the Nation for years to come.

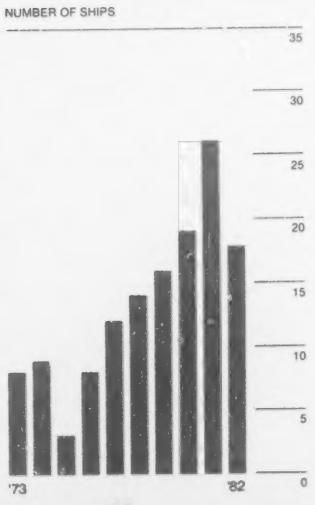
There were other Congressional developments of a significance:

- ★ Legislation to modify the costly, ill-conceived notions of the 1972 amendments to the Longshoremen's and Harbor Workers' Compensation Act was never brought to a vote in the House of Representatives, even though a reform bill passed the United States Senate by voice vote
- ★ Despite shipowner and Administrative support, legislation to extend for two years the foreign building/rebuilding option for U.S.-flag subsidized operators was suffocated in the harried exit of the 97th Congress in late December
- ★ Various bills to waive requirements of the Jones Act to permit the operation of foreign-built vessels in U.S. domestic trades were also not brought to a vote
- ★ Legislation to prohibit the construction of U.S. naval vessels in foreign shipyards unless the President of the United States found the need for an exception on the basis of national security had many supporters and was included as an amendment to the Fiscal 1983 Defense Department Authorization Bill
- ★ By the Tax Equity and Fiscal Responsibility Act of 1982, the completed contract method of tax accounting was vastly curtailed and the use of tax-exempt industrial bonds was restricted

In addition to the above as well as the Fiscal 1983 Defense Department Authorization and Appropriations bills, legislation dealing with product liability, occupational disease, pension law revisions, anti-fraud and revival of Cost Accounting Standards Board activities in connection with the Defense Production Act were among other issues to which the Council devoted much attention.

Most particularly, the so-called Competitive Shipping and Shipbuilding Act, as introduced by Congresswoman Lindy Boggs of Louisiana, and co-sponsored by 82 of her colleagues, was enthusiastically supported by the Council and its members. Key requirements of this proposed legislation were: (1) cargo reservation of five percent of bulk exports and imports for U.S.-flag, U.S.-built ships starting in the first calendar year after enactment and increasing by one percent annually thereafter until a minimum of 20 percent is reached, and (2) 15 percent reduction in U.S. ship construction and operating costs. This bill could lead to the construction of a substantial number of bulk ships in U.S. shipyards by 1998, and chances of enactment of similar legislation in 1983 are believed to be better than 50/50.

NAVAL VESSELS:
Deliveries by calendar years
(Ships of 1,000 light displacement tons and larger)



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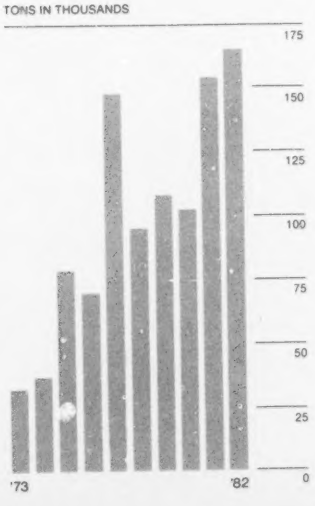

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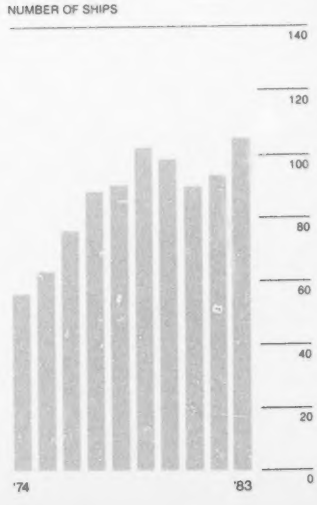

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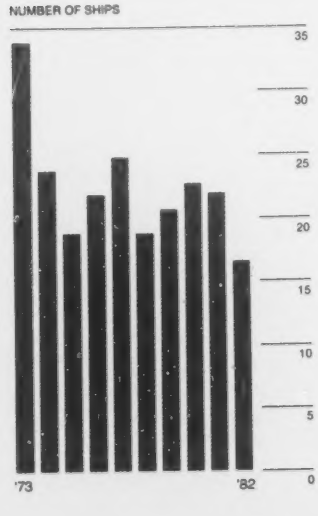

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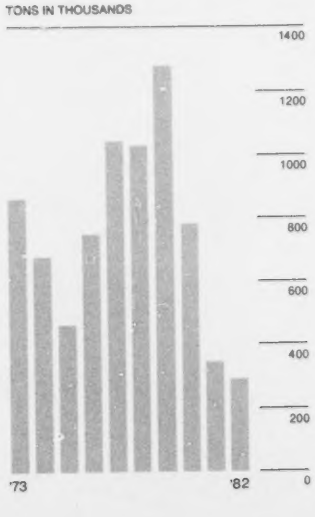

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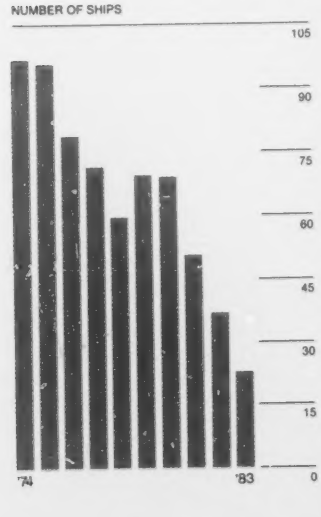

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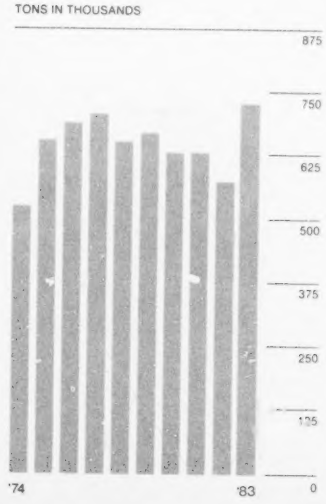

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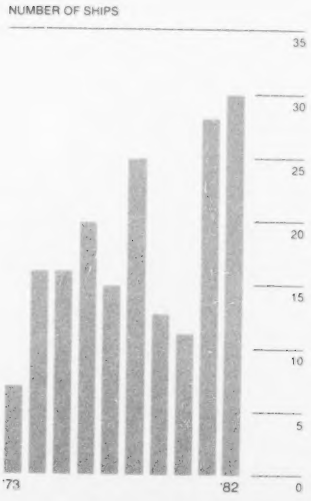

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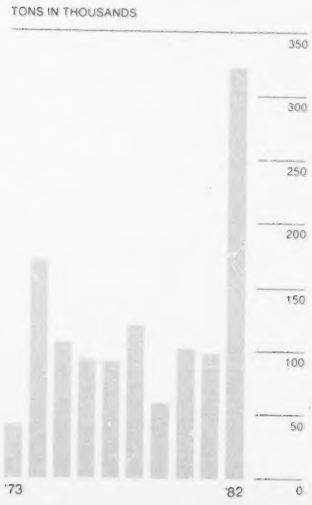

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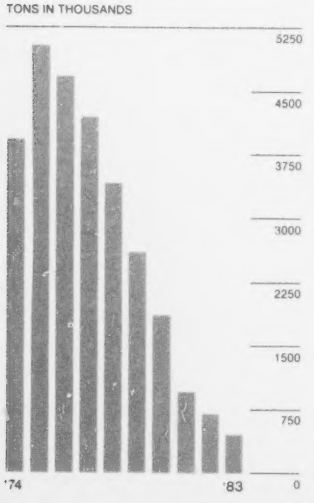

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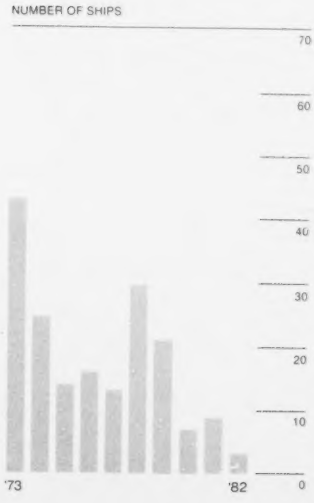

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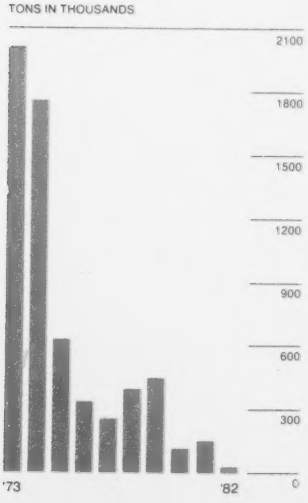

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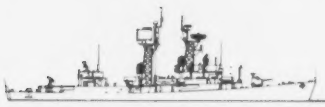
STATISTICAL SUMMARY



LARGE MERCHANT TYPE VESSELS UNDER CONSTRUCTION OR ON ORDER

(1,000 Gross Tons and Larger)

	January 1, 1980		January 1, 1981		January 1, 1982		January 1, 1983	
	No.	G.T.	No.	G.T.	No.	G.T.	No.	G.T.
Ferry	9	29,680	6	20,890	2	7,930	1	2,930
Tanker	9	267,000	11	274,900	10	258,400	7	176,300
LNG Carrier	7	632,725	0	0	0	0	0	0
Tug/Barge	12	245,000	12	245,000	9	195,000	4	100,000
Containership	6	195,400	3	121,470	3	121,470	1	40,490
Container-Ro/Ro Ship	3	55,500	3	55,500	3	55,500	3	55,500
Barge Carrier	2	60,000	1	30,000	0	0	0	0
Breakbulk	2	2,000	0	0	0	0	0	0
Dry Bulk Carrier	5	117,500	3	70,500	2	47,000	0	0
Great Lakes Ore Carrier	6	180,200	3	89,500	0	0	0	0
Hopper Dredge	6	30,443	5	27,500	3	20,000	1	6,000
Tuna Purseiner	2	2,000	2	2,000	2	2,000	0	0
Collier	0	0	0	0	1	0	1	23,000
Incinerator Ship	0	0	0	0	0	0	2	9,700
Oceanographic Research	0	0	0	0	0	0	1	2,500
Totals	**69**	**1,816,448**	**49**	**937,260**	**35**	**730,300**	**21**	**416,420**

SHIPBUILDING ACTIVITY IN PRIVATE SHIPYARDS

(During Calendar Years 1979, 1980, 1981 and 1982)

	1979		1980		1981		1982	
Merchant Vessels	No.	Tons	No.	Tons	No.	Tons	No.	Tons
Under Construction Jan. 1	70	2,635,192	69	1,816,448	49	937,260	35	730,300
Ordered during year	21	487,170	7	116,200	9	154,000	3	12,200
Delivered during year	21	1,298,414	23	788,388	22	346,969	17	326,080
Cancelled during year	1	7,500	4	207,000	0	0	0	0
Under Contract on Dec. 31	69	1,816,448	49	937,260	35	730,300	21	416,420
Naval Vessels								
Under Construction Jan. 1	102	676,913	99	629,782	91	628,418	93	573,332
Ordered during year	13	60,646	11	101,072	28	97,307	30	324,240
Delivered during year	16	107,777	19	102,436	26	152,393	18	169,326
Under Contract on Dec. 31	99	629,782	91	628,418	93	573,332	105	728,246

Notes: Vessels of 1,000 tons and larger, tonnage of merchant ships shown in gross tons, naval vessels in light displacement tons.

Naval Vessels Under Construction or on Order in Private Shipyards

as of January 1, 1983

Type	No. of Vessels	Total Light Disp. Tons
Destroyer Tender (AD)	1	13,400
Fleet Oiler (AO)	1	9,500
Repair Dry Dock (ARDM)	1	5,300
Salvage Ship (ARS)	4	10,900
Guided Missile Cruiser (CG)	6	53,460
Aircraft Carrier (Nuclear) (CVN)	3	213,000
Destroyer (DD)	1	5,000
Guided Missile Frigate (FFG)	28	76,356
Dock Landing Ship (LSD)	2	22,200
Mine Countermeasures (MCM)	1	1,000
Ballistic Missile Submarine (Nuclear) (SSBN)	8	100,000
Attack Submarine (Nuclear) (SSN)	20	120,000
Ocean Surveillance Ship (T-AGOS)	12	19,200
Prepositioning Ship (T-AKX)	2	45,400
Fleet Oiler (T-AO)	1	9,500
Cable Repair Ship (T-ARC)	1	8,430
Medium Endurance Cutters (USCG) (WMEC)	13	15,600
TOTAL	**105**	**728,246**

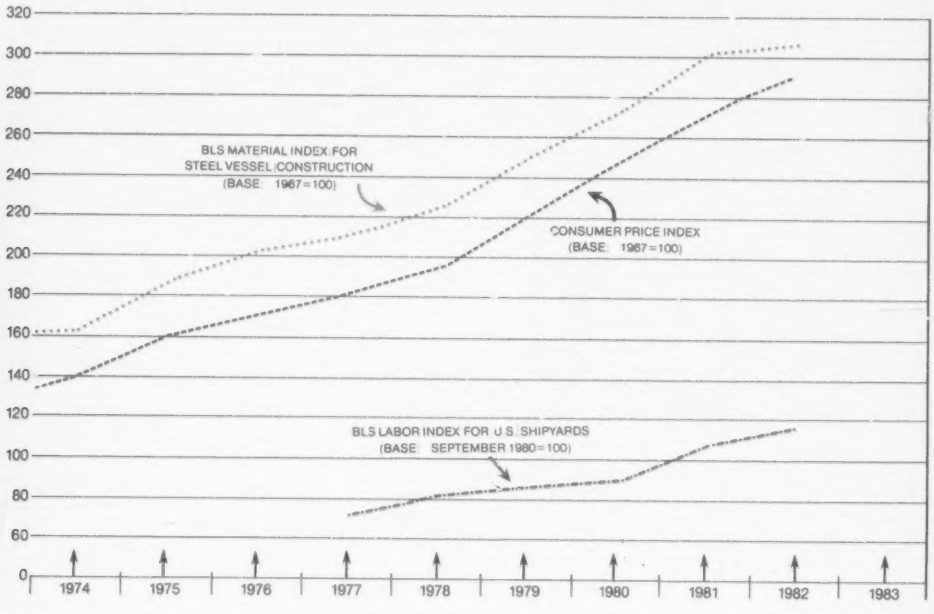
Approximate Value of Unfinished Shipbuilding Work in Private Shipyards

(thousands of dollars)

as of January 1

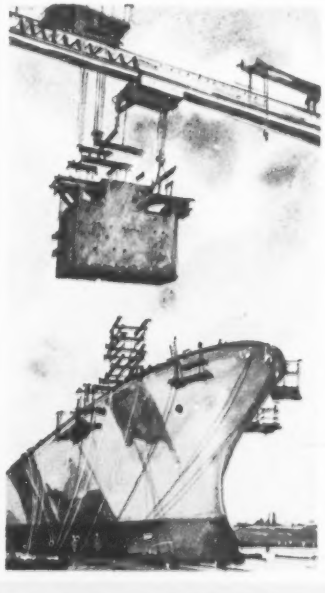
YEAR	COMMERCIAL SHIPS	NAVAL SHIPS	TOTAL
1969	800,000	1,700,000	2,500,000
1970	765,000	1,719,000	2,484,000
1971	765,000	1,925,000	2,690,000
1972	1,058,000	2,255,000	3,319,000
1973	2,950,000	3,160,000	6,110,000
1974	3,770,000	3,603,000	7,373,000
1975	4,350,000	5,424,000	9,774,000
1976	3,400,000	6,500,000	9,900,000
1977	3,000,000	6,802,000	9,802,000
1978	2,120,000	7,508,000	9,628,000
1979	1,940,000	9,369,000	11,309,000
1980	2,070,000	9,075,000	11,145,000
1981	1,000,000	9,350,000	10,350,000
1982	838,000	11,102,000	11,940,000
1983	372,000	20,330,000	20,702,000

Average Indices: Values for U.S. Shipyard Labor/Material and Consumer Price



Dollar Volume of Repair and Conversion Work Performed by Private Yards

(millions of dollars)



YEAR	COMMERCIAL SHIPS*** $ AMOUNT	%	NAVAL SHIPS $ AMOUNT	%	TOTAL
1970	431	54.6	359	45.4	790
1971	450	58.1	325	41.9	775
1972	484	55.6	387	44.4	871
1973	523	57.0	393	43.0	916
1974	713	57.0	533	43.0	1246
1975	688	55.4	554	44.6	1242
1976	715	52.6	644	47.4	1359
1977	789	52.0	718	48.0	1507
1978	809	47.0	912	53.0	1721
1979	998	51.0	969	49.0	1967
1980	1,335*	54.0	1,134*	46.0	2469*
1981	1,526**	54.0	1,296**	46.0	2822**
1982	1,498**	53.0	1,321**	47.0	2819**

*Revised **Estimated ***Includes Military Sealift Command (MSC)
Source — Bureau of Census and Shipbuilders Council of America

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Seattle, WA 98103

Marinette Marine Corp.
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Norfolk, VA 23501
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Post Office Box 3976
San Francisco, CA 94119

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Brooklyn, NY 11205

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Elizabeth, NY 07206

(a) to promote the maintenance of a sound private shipbuilding and shiprepairing industry in the United States;

(b) to inform its members of economic, governmental, industrial, legislative and judicial developments affecting the shipyard industry of the United States, either directly or indirectly;

(c) to improve conditions under which the operations of the industry are carried on;

(d) to conserve and develop the industry as an essential element of national sea power;

(e) to promote the development and maintenance of an adequate mobilization potential of privately-owned shipbuilding, shiprepairing and allied industry facilities as well as skilled personnel for availability in time of national emergency;

(f) to preserve a balanced workforce and to promote employment opportunities for disadvantaged citizens;

(g) to inform the public of the role of shipbuilding and shiprepairing in terms of impact on the national economy and in terms of technological progress;

(h) to promote the interests of the industry through the conduct of usual and lawful trade association activities;

(i) to establish and maintain active cooperation by shipbuilders, shiprepairers, and allied industries with such other persons, groups, corporations, and associations as may have a joint interest in the attainment of these purposes;

(j) to provide a forum for the discussion of common problems affecting shipbuilding and shiprepairing in the United States; and

(k) to afford a means of cooperation with the government in matters of national concern.

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